

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

TRSE-00 LAB-06 SIL-01 OMB-01 RSR-01 PA-03 PRS-01

USIA-12 L-03 H-02 /125 W

----- 116323

R 031135 Z JUL 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7258

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

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E. O. 11652 N/ A

TAGS: EFIN EEC

SUBJECT: JUNE 28 EC COUNCIL (FINANCE MINISTERS): DANISH CLAIM
GERMANS FAILED TO CONSULT ON DM REVALUATION

BEGIN SUMMARY. DANISH ECONMIN AND NATIONAL BANK GOVERNOR
CLAIM GERMANS FAILED TO GIVE ANY ADVANCE NOTICE AT JUNE 28
MEETING OF INTENTION TO REVALUE DMARK. WITH SOME IRRITATION,
THEY STATE THAT WHILE GERMANS MAY HAVE TECHNICALLY COMPLIED
WITH CONSULTATION RULES, NO REAL CONSULTATIONS TOOK PLACE.
ACCORDING TO ECONMIN, DANES PLAN TO PROPOSE TIGHTENING CON-
SULTATION RULES AT NEXT EC FINMIN MEETING IN OCTOBER. THEY
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REGARD CLOSER CONSULTATIONS AS ESSENTIAL IF PROGRESS IS TO BE
MADE TOWARD ECONOMIC AND MONETARY UNION. END SUMMARY

1. IN MEETING WITH CHARGE AND ECONCOMOFF, PER HAEKKERUP
(ECONMIN AND CURRENT CHAIRMAN OF EC COUNCIL OF FINANCE MINISTERS)
EXPRESSED BOTH IRRITATION AND CONCERN OVER SHORTCOMINGS OF EC
CONSULTATION PROCESS AS REVEALED LAST WEEK WHEN GERMANS
REVALUED DMARK JUNE 29 WITHOUT HAVING (ACCORDING TO HAEKKERUP)
BREATHED ONE WORD OF THEIR INTENTIONS THE DAY BEFORE AT THE
LUXEMBOURG COUNCIL MEETING. HE DESCRIBED SEQUENCE AS FOLLOWS:

A) AT SEPARATE MEETING OF NATION BANK GOVERNORS AT
LUXEMBOURG JUNE 28, GERMANS DESCRIBED DIFFICULT MONETARY
SITUATION AND POSSIBLE SOLUTIONS, INCLUDING SEPARATE DMARK FLOAT
(WHICH ALL REJECTED AS REGRESSIVE). WHETHER REVALUATION WAS
DISCUSSED HYPOTHETICALLY IS NOT CLEAR, BUT BOTH HAEKKERUP AND
NATIONAL BANK GOVERNOR HOFFMEYER (WITH WHOM WE TALKED EARLIER)
INSIST GERMANS DID NOT PROPOSE IT FOR CONSIDERATION. IN SIDE TALKS
HE HAD WITH FRG DEPUTY FINMIN JUST BEFORE DEPARTURE, HAEKKERUP
CLAIMS HE GOT NO HINT OF REVALUATION.

B) SUSPECTING SOMETHING WAS IMMINENT, HAEKKERUP AND
HOFFMEYER TELEPHONED FRG FINMIN SCHMIDT AT 7:30 A. JUNE 29
AND WERE TOLD ONLY OF "RUMOR" OF 5.5 PERCENT REVALUATION BUT
THAT SPECIFIC ACTION TO BE TAKEN DEPENDED ON CABINET DECISION LATER
IN MORNING.

C) AFTER LATER HEARING OF FRG REVALUATION DECISION FROM
WIRE SERVICES, HAEKKERUP CALLED BELGIAN FINMIN (WHO WAS IN HIS
LAST FEW DAYS AS CHAIRMAN) TO PROPOSE SPECIAL MEETING OF EC
FINMINS. BELGIANS DEMURRED.

D) HAEKKERUP THEN CALLED HAERKAMP OF EC COMMISSION
TO COMPLAIN OF FRG FAILURE TO CONSULT. HE WAS TOLD GERMANS
TECHNICALLY FULFILLED CONSULTATION REQUIREMENT. HAERKAMP
HOWEVER AGREED THAT CONSULTATION RULES WERE VAGUE AND THAT
ISSUE MIGHT BE RAISED AT NEXT EC FINMIN MEETING IN OCTOBER.

2. HAEKKERUP WAS CLEARLY ANNOYED BY (IN HIS VIEW) LACK OF GERMAN
FRANKNESS WITH EC COLLEAGUES. HE DID NOT HOWEVER OBJECT TO
ACTION ITSELF WHICH HE AGREED WAS NECESSARY TO KEEP COMMON EC
FLOAT FROM SINKING. HIS CONCERN, HE SAID, WAS ABOUT IMPLICATIONS
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FOR ECONOMIC AND MONETARY UNION (EMU) WHICH HE PERSONALLY
WOULD LIKE TO SEE MOVE AHEAD AT MUCH GREATER SPEED BUT WHICH
CAN ONLY BE SLOWED BY FAILURE, AS LAST WEEK, OF ADEQUATE CON-
SULTATIONS ON SO FUNDAMENTAL A POINT AS REVALUATION OF
A CURRENCY WITHIN A CLOSELY COOPERATING COMMON FLOAT.

3. SINCE DECISIONS ON SECOND STAGE OF EMU WILL BE PRINCIPAL AGEN-

DA ITEMS AT OCTOBER EC FINMIN MEETING, HAEKKERUP TOLD US HE
PLANS TO CALL FOR A REVISION OF CONSUTATION RULES AS FIRST ITEM
OF BUSINESS.

4. EMBASSY COMMENT. DANES HAVE SEVERAL TIMES PREVIOUSLY
COMPLAINED TO US ABOUT TENDENCIES OF BIGGER EC POWERS TO MAKE
MONETARY DECISIONS WITHOUT CONSULTING THE SMALLER MEMBER
COUNTRIES. THEY SUSPECT GERMANS MAY HAVE TALKED WITH FRENCH,
AND POSSIBLY BRITISH, ABOUT REVALUATION INTENTIONS IN CORRIDORS
AT LUXEMBOURG. AS IN OTHER MATTERS, THEY TALK BRAVELY OF PUTTING
ORDER ALSO INTO MONETARY DISCUSSIONS DURING THEIR REIGN AS PRESI-
DENT OF EC COUNCIL.
NONETHELESS, WHILE THEY ESTIMATE DANISH COST OF
GERMAN REVALUATION AS 200-300 MILLION KRONER OVER THE NEXT
YEAR, THEY AGREE COMPLETELY WITH APPROPRIATENESS OF GERMAN ACTION.
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